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SUBJECT: CHINA'S "INDEPENDENT" PRESS: ECONOMIC OBSERVER
SEEKS TO BECOME FINANCIAL TIMES OF THE EAST

REF: A. BEIJING 07035

[1](#)B. BEIJING 06864

Classified By: Political Minister Counselor Aubrey
Carlson. Reasons 1.4 (b) and (d).

Summary

[1](#)1. (C) Managers and journalists from the Economic Observer, China's only "private" (non-Party-affiliated) newspaper, which was launched as a nationwide, weekly paper in 2001 and is owned by a commercial provincial holding company, told PolOffs recently that the Observer is alive and well and making a profit in Beijing. Aimed at conveying timely economic news to emerging professional and commercial elites and government leaders, the Observer's goal is to become China's Financial Times. The paper also pursues a quiet agenda of political change, relying heavily on self-censorship to steer clear of political pitfalls, but has been censured in the past when it strayed too far from approved content. It remains an interesting test case of the limits of media reform in today's China, but so far does not appear much more likely than some provocative Party-connected commercial media to push the envelope. End summary.

Origins: China's Only Corporate-Owned Newspaper

[1](#)2. (C) PolOffs met recently with the Economic Observer's Editor-in-chief Liu Jian (protect), Publisher ("shezhang") Zhao Li (protect), and former senior journalist Zhang Jingping (protect), who offered an extensive briefing on the ins and outs of running an "independent" paper in China. (Note: For additional context, this cable incorporates comments from former editor-in-chief, He Li (protect), whom PolOffs interviewed in October 2003.)

[1](#)3. (C) The Economic Observer is one of the very few national media outlets in China (and the only broadsheet newspaper we are aware of) that is not attached to a government or Communist Party organ. The paper's publisher and editors answer to the board of directors of a commercial holding company, albeit a provincial government-owned company, rather than to an official "media group" under the jurisdiction of a Party propaganda organ or Party newspaper. (Note: The prominent, Beijing-based financial magazine Caijing is the other notable privately-owned media outlet in the country. A Guangdong-based national magazine Citizen (Shimin), founded in 2005, represents a third effort to test the waters of private media ownership but is struggling to survive.)

14. (C) Prior to 2001, the Economic Observer was a Shandong provincial paper aimed at rural readers. In 2001 the Sanlian Group, a Shandong provincial government holding company specializing in electronics retail (not affiliated with the similarly-named Sanlian media companies), took control of the paper and re-launched it as a national business-oriented weekly. Publisher Zhao said Sanlian stumbled into newspaper ownership after taking over the loss-making Economic Observer as a favor to provincial leaders. Sanlian then brought in Zhao, a former business journalist, to run the publication. Zhao meets every few weeks with the Sanlian board of directors. While the Sanlian Group remains the Observer's primary owner, the paper is courting foreign investment for its non-editorial operations. In 2004, the Hong Kong media giant TOM Group was reportedly contemplating an investment in the Observer that would allow the paper to move from weekly to daily publication. While that deal never materialized, Zhao told PolOffs he was about to travel to the United States for talks with potential American investors in the Observer's advertising operations.

China's FT: Ambitious Goals

15. (C) Editor-and-chief Liu and Publisher Zhao described their ambition as making the Observer China's answer to London's Financial Times (FT), a goal the paper has pursued from the outset, according to he Observer's previous chief editor, He Li. The Observer's style and layout, including its salmon pink newsprint, reflect a conscious effort to emulate FT.

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Zhao said the Observer aims for the same internationally-oriented and highly-educated demographic in China as its main competitor, Caijing: Sixty-five percent of its readers are big enterprise managers, 10 percent are government officials, 10 percent are university students and the rest are accountants, lawyers and other professionals. The paper enjoys a circulation of 200,000, Liu said. Liu and Zhao claimed the Observer turns a profit, though they declined to say how much. (Note: He Li said that the paper began to turn a profit in its third year, 2003.) Zhao said he handles overall management, deals with the Sanlian Group, and provides general editorial and quality review, while Liu makes the weekly editorial calls. Zhao said that in addition to Caijing, the paper's other main competitor is the Guangdong Party Committee paper, 21st Century Economic Herald, but that the Observer attracts readers through a unique "Beijing-flavored" perspective.

16. (C) Zhang Jingping, a senior journalist at the Observer until September, separately agreed that the paper's style, layout and advanced technical know-how are first rate and that Liu and Zhao understand how modern newspapers operate. Zhang said the paper's other major strength is its high-quality special columns. It is able to attract contributions from prominent experts in a variety of fields. These qualities, Zhang observed, are a major factor in the paper's appeal to urban elites. However, in Zhang's view, the paper's news coverage is "quite ordinary," because the Observer is unable to break out of limitations imposed by China's politically-controlled media system. (Note: Former chief editor He Li claimed in 2003 that there were few restrictions on economic news; the exceptions were sensitive national issues such as exchange rate adjustment.)

17. (C) Both Liu and Zhao lamented that a lack of talented reporters is one of their biggest challenges.

China has few older, seasoned reporters because journalism does not meet rising expectations of income and social status, Zhao said. Furthermore, journalists tend to move on to more lucrative professions, like public relations, at the earliest opportunity. Pointing to an Observer reporter sitting across from him, Zhao said that an Internet company had recently tried to "steal" her with an offer of more money. In the view of journalist Zhang, the top talent goes to major Party media, like the official news agency Xinhua and the Party's flagship paper, People's Daily, with the resources and prestige to attract the best college graduates.

Independent, But Not Free

¶8. (C) Zhao and Liu described the Observer as an "independent" ("du li") newspaper by virtue of its non-government ownership and claimed it has no high-level political patron that it can call on in times of political trouble. (Note: In contrast, Caijing is widely known to have high-level political protection through the connections of its CEO and Editor-in-chief, Wang Boming, son of Party veteran and former Vice Foreign Minister Wang Bingnan.) Zhao emphasized that the paper takes pains to avoid reliance on any Party or government entities, and both stressed that the paper's editorials are written by its own staff rather than parroting language from propaganda authorities. (Note: He Li stressed in 2003 that the paper made a point of using non-ideological language in place of the "Xinhua-ese" of Party media.)

¶9. (C) Moreover, current Editor-in-chief Liu explained, the normal political control mechanisms are absent from the paper. For example, unlike Party-affiliated media outlets, the paper has no Communist Party committee and there is no requirement that the editor-in-chief be a Party member. Although Liu's predecessor was a Party member, Liu is not, and meetings held by employees with Party membership do not influence the paper's editorial direction. Although these arrangements and the paper's technical status as a Shandong provincial publication do not protect the Observer from oversight by propaganda authorities, it is insulated somewhat from national-level propaganda officials. Even though the Observer essentially operates as a Beijing-based, national newspaper, it answers to propaganda officials of the Shandong Provincial Communist Party Committee, which

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means central officials must route criticism of the paper through the provincial-level authorities.

Negative News Permitted, But Not About Shandong

¶10. (C) The paper's unique ownership structure and nominal status as a "local paper" confer some advantages, but Liu said he must still tread carefully. First and foremost, the Observer cannot report negative news about Shandong Province itself. For example, Liu told PolOffs, Shandong officials strictly forbade the paper from reporting on the death toll from July 2007 flooding in Shandong's capital Jinan. Zhao said the paper can only report negative stories that are restricted to the county level or below (and then only when occurring outside of Shandong Province) and generally avoids stories that highlight systemic problems at the central or provincial levels. Liu cited recent examples of negative news that the paper has successfully reported: a recent lottery cheating scandal in Anshan, Liaoning Province, and allegations that

medical equipment salespeople for General Electric were giving improper gifts to some government officials in Guangdong Province.

¶11. (C) Zhao recounted especially strict limits on recent coverage of sensitive national and international news. Press guidance on the mid-October Party Congress was so strict Zhao felt that coverage would be "meaningless" and wanted to skip coverage altogether (ref A). In the end, the paper ran some Xinhua copy in response to pressure from Shandong authorities along with its own editorial. Similarly, restrictive propaganda guidance on how to spin the recent demonstrations in Burma meant that the paper, aside from the question of Burma's relevance to its readers, could not offer unique insights or provide new information. It prefers to report nothing in such cases rather than run pre-packaged Xinhua copy (ref B).

¶12. (C) Although Zhao was guardedly optimistic on the future of Chinese media, he said the market-oriented media reforms of recent years can only go so far without more press freedom. Stories about the bad construction of bridges or other local problems were a new development at the beginning of media reform, but readers get tired of that. The only way to continue attracting readers is to push the envelope, but, Zhao complained, under current restrictions there is no way to expand coverage.

Political Agenda: Incremental, Constructive Change

¶13. (C) Despite these constraints on news coverage and the Observer's strong economic focus, the paper enjoys a reputation for provocative social commentary and understated promotion of political change. The paper's motto, "rational and constructive (lixing, jianshexing)," is printed prominently on its masthead and, according to Zhao Li, encapsulates the paper's style of advocating positive change while avoiding direct confrontation with the Government. As He Li put it in 2003, "we don't do revolution." He Li said that "constructive" means to encourage, not criticize, the Party by spinning an issue so that it goes beyond the Party's intended meaning. He gave the example of an Observer editorial in 2003 that complimented the Ministry of Public Security for making it easier for citizens to acquire passports and then praising the decision as an example of political reform. He Li compared this approach to the more explicit style of Southern Weekend, a provocative news and commentary weekly published by the Guangdong Provincial Party Committee.

¶14. (C) Recently, the Observer has weighed in on the side of Party reformers doing ideological combat with China's "Leftists" (orthodox Marxist ideologues). In March of this year, for example, the Observer published a front-page editorial entitled "Let Us Begin to Talk More About Democracy," which selectively quoted from Deng Xiaoping and current Party leaders to argue that the true manifestation of successful modernization is a democratic political system. The timing of the article coincided with an intense ideological debate emerging in Party circles in the run-up to the 17th Party Congress in October. In

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July, the paper published a hard-hitting article sharply critical of a law restricting media coverage of disasters, stating that press rights originate in freedom of speech and that the "public's right to know" will sustain the greatest harm from the law. In July 2006, the paper ran a barely disguised attack on

contemporary Leftist opponents of reform by Deputy Editor Zhong Weizhi along with a provocative interview with former People's Daily senior editor Ma Licheng. Ma revisited the controversy surrounding his 1998 book, "The Clash of Swords? (Jiaofeng), which described then-Party chief Jiang Zemin's ideological struggle against the Left after the death of Deng Xiaoping. Ma (protect) told PolOffs that the interview and Zhong's commentary were intended to defend Party reformers against a scathing criticism of market-oriented policies launched by hardline Marxist opponents of reform in advance of the Party's November 2006 6th Plenum which focused on ideological issues. Deputy Editor Zhong, according to Ma, is a well-known member of the Party's "reform faction" (gaige pai) "hated" by Leftists for his aggressive promotion of liberal ideas.

Learning Curve: Dodging Political Trouble

¶15. (C) Zhao and others learned the hard way that pushing too far beyond the Party's red lines on media content can be costly. Although Zhao said he generally can sense where the lines are, he and then-editor He Li nearly brought the paper to ruin in June ¶2003. The paper sharply criticized Deputy Health Minister Gao Qiang for publicly defending the performance of former Health Minister Zhang Wenkang, who had just been sacked for covering up the SARS outbreak. According to He Li, the paper published a piece juxtaposing the Party's earlier statements criticizing Zhang alongside Gao's defense of the sacked official. This direct criticism of a sitting official crossed the line. Zhao said he and other top managers were forced to travel to Shandong and make "self criticisms" before propaganda authorities. (He Li in 2003 told PolOffs the self-criticism session was severe, part of a broader crackdown on media that endangered the paper's existence.) A less serious incident occurred in 2005 when the China National Offshore Oil Corporation was attempting to purchase Unocal. Liu said central government officials were angered by an Observer editorial that was mildly critical of the Chinese government's role in the ill-fated deal.

¶16. (C) Zhao said he learned that the paper can make "small mistakes" (xiao maobing) without serious consequences but cannot afford another big mistake like the 2003 SARS article, which could lead to propaganda authorities shutting down the paper. Thus Zhao explained that the Observer's management must constantly walk the line between protecting the business and pushing the envelope enough to attract and retain readers. When the Observer strikes a critical tone, it is generally in the less-sensitive realm of business and economics. For example, an editorial in the November 12 edition throws cold water on PetroChina's recent rise to become the world's largest corporation by market value. PetroChina's sky-high value is the result of a worrisome stock market bubble and the continued domination of monopolies at the expense of consumers, the editorial says.

Comment

¶17. (C) The Economic Observer appears to be succeeding commercially in an increasingly competitive Chinese newspaper market. While the Observer takes some risks, it is not as politically daring as the privately-owned Caijing magazine, or even the Party-owned Southern Weekend. As executives in a for-profit business, the paper's managers and editors seem to view self-censorship and avoiding government punishment as part of their fiduciary responsibility

to the Sanlian Group and as the most effective way to continue pursuing their quiet agenda of media reform and political change.

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